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Quantitative & Alternates

Global Liquidity Tracker: EM Flows Rebound- India Flows Hit 10-Month High, Driven by Large Cap Funds

EM Flows Rebound: India Flows Hit 10-Month High, Driven by Large Cap Funds

Global liquidity is gradually returning to EMs as concerns over tariff hikes begin to subside. *Following Trump's victory in Nov'24, there was a significant outflow of capital from EMs into the U.S. However, over the past three weeks, we've started to observe signs of a reversal.* The strongest recovery in foreign inflows has been into India, Brazil, Hong Kong, and Taiwan, while South Korea is yet to see a similar rebound. In India, of the \$7.7bn that exited (across allocation & dedicated funds) after the U.S. election, \$960mn—or 12%—has returned in 3 weeks. Taiwan has seen a similar trend, with 10% of earlier redemptions reversing.

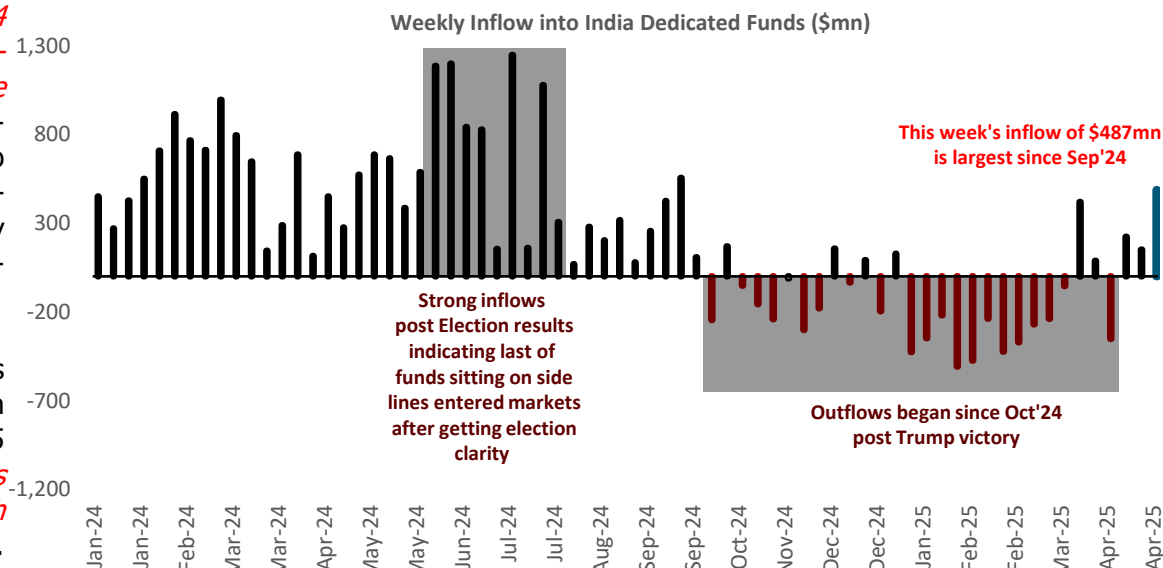
Crucially, foreign flows into U.S. funds remain strong and uninterrupted, averaging \$6bn per week. The recent shift back toward EMs appears to be fuelled by new incremental liquidity, rather than a pullback from the U.S. Notably, domestic U.S. funds are under redemption pressure for the past six weeks.

India recorded its highest weekly inflow since July'24, at \$724 mn. This was largely driven by \$487mn going into India-dedicated funds—the biggest in 7-months. All inflows were concentrated in large-cap funds. Over past 6-weeks, India-dedicated funds attracted \$1bn, split between \$575mn into ETFs & \$440mn into long-only large-cap funds. Luxembourg-domiciled funds accounted for 40% of these flows, followed by 35% from Ireland and 20% from the U.S. Meanwhile, Japan-focused funds have seen consistent outflows since Nov'24.

In other asset classes, junk bonds saw inflows of \$3.6bn this week after 5-weeks of heavy redemptions totaling \$31bn. On the other hand, gold funds saw outflows of \$2.6bn following 15 straight weeks of inflows totaling \$34bn. *These movements may hint at an early easing in risk-off sentiment, though broader trends will be crucial to understand global risk appetite.*

| Foreign flows into EMs | | | Foreign flows into DMs | | |
|------------------------|-------------------------------|------------------------------|------------------------|-------------------------------|------------------------------|
| EMs | Flows Nov'24 to Mar'25 (\$mn) | Flows in past 3 weeks (\$mn) | DMs | Flows Nov'24 to Mar'25 (\$mn) | Flows in past 3 weeks (\$mn) |
| China | -16,347 | -5,201 | USA | 1,37,707 | 19,943 |
| India | -7,701 | 960 | Germany | 7,710 | 3,877 |
| Taiwan | -4,624 | 451 | France | 4,682 | 3,193 |
| Korea (South) | -3,112 | 56 | Switzerland | 3,232 | 2,206 |
| Brazil | -1,370 | 758 | United Kingdom | 2,437 | 4,106 |
| Vietnam | -774 | -78 | Netherlands | 2,027 | 1,602 |
| Indonesia | -445 | 29 | Japan | 1,675 | 1,815 |
| Malaysia | -382 | -21 | Sweden | 1,115 | 781 |
| Thailand | -353 | 19 | Denmark | 1,044 | 734 |
| Singapore | 212 | 64 | Belgium | 216 | 222 |
| Israel | 345 | 117 | Austria | 181 | 125 |
| Argentina | 448 | 25 | Ireland | 106 | 265 |
| Hong Kong | 8,412 | 1,466 | Portugal | 81 | 58 |

Source: EPFR, Elara Securities, Research, Bloomberg, Capital Line, ACE MF



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